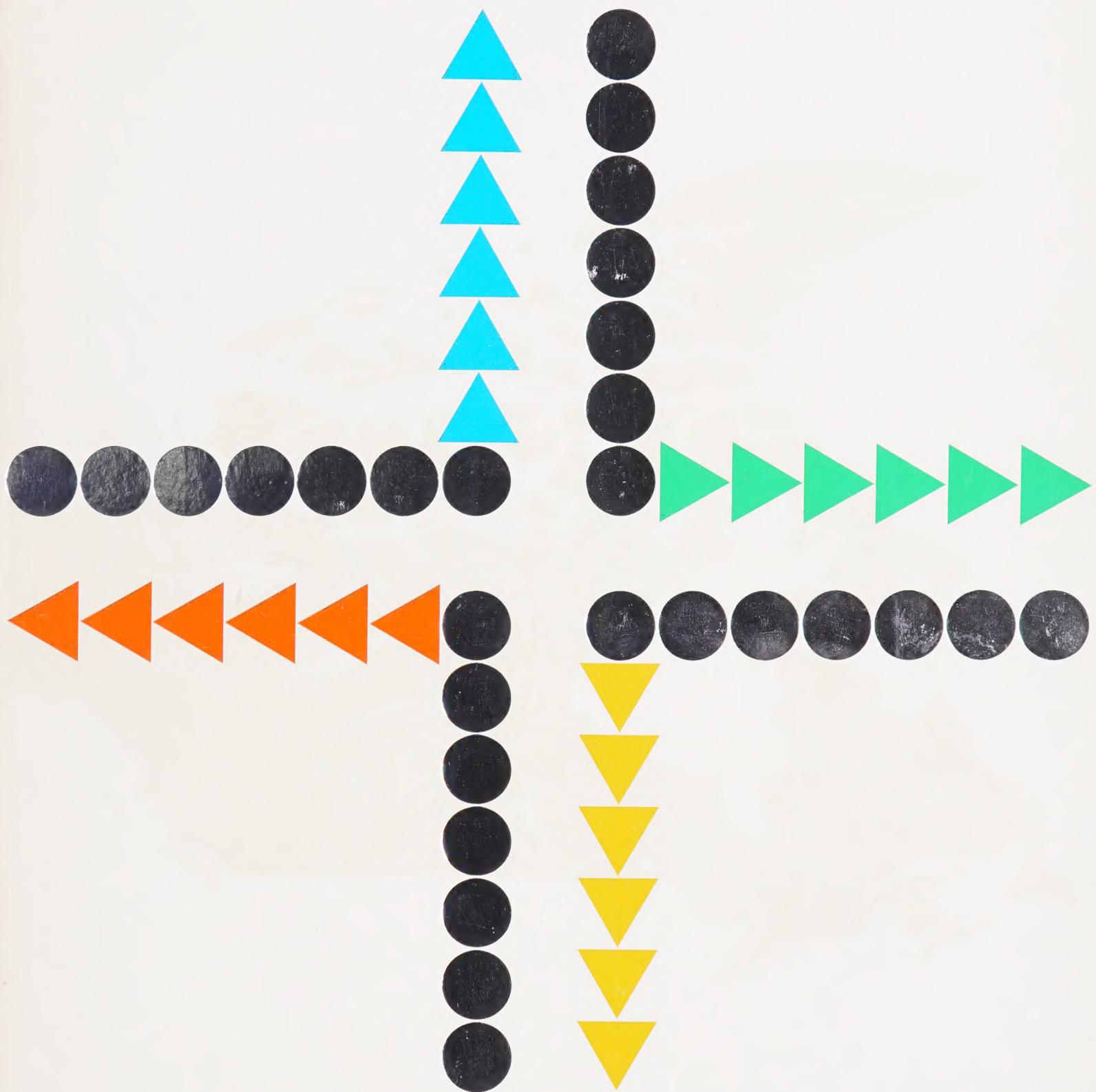


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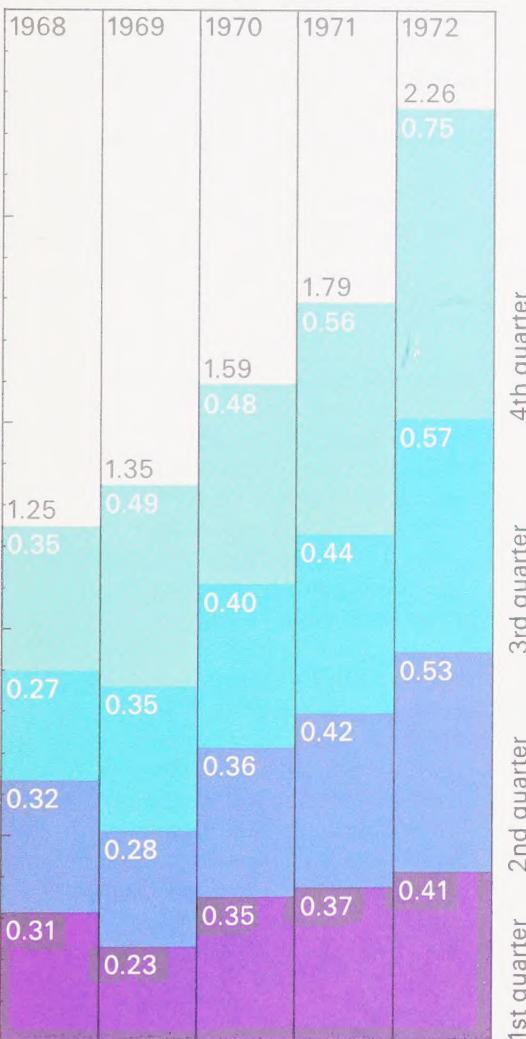
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The Year at a Glance

	1972	1971	Increase (Decrease)
Thousands of dollars			
Sales	625,613	569,629	55,984
Net earnings before extraordinary items	22,162	17,661	4,501
Net earnings after extraordinary items	22,162	17,539	4,623
Earned per common share before extraordinary items	2.26	1.79	0.47
Dividends per common share	1.10	1.00	0.10
Working capital	97,265	105,343	(8,078)
Total assets	263,528	243,229	20,299
Shareholders' equity	131,212	131,556	(344)

Quarterly and yearly earnings per share



Imasco Limited and Subsidiary Companies

Imasco Limited is a multi-divisional company manufacturing consumer products and supplying consumer services in Canada and the United States. Principal products are tobacco and food. Services include retail outlets, automatic vending operations and television production facilities.

Directors

E. Peter Gage
Ian W. Murray
Paul Paré
L. Edmond Ricard
George G. Ross
John J. Ruffo
John F. Taormina
Clifford Warren

Officers

Paul Paré, President
Norman A. Dann, Vice-President
E. Peter Gage, Vice-President
Ian W. Murray, Vice-President
L. Edmond Ricard, Vice-President
George G. Ross, Vice-President
John J. Ruffo, Vice-President
Robert T. Ruggles, Vice-President
John F. Taormina, Vice-President
Clifford Warren, Vice-President
Norman J. Flynn, Secretary
Matthews Glezos, Treasurer
Ronald F. Findlay, C.A.,
Corporate Comptroller
Roger S. Ackman, Senior Counsel
John N. Economides, Assistant Treasurer

Imperial Tobacco Products Division

*Imperial Tobacco Products Limited
Montreal, Canada*
Paul Paré, Chairman of the Board
L. Edmond Ricard, President
Peter R. Austin, Vice-President
E. Peter Gage, Vice-President
Robertson M. Gibb, Vice-President
D. Edward Kearney, Vice-President
Thomas R. Lamont, Vice-President
Jean-Louis Mercier, Vice-President
and Comptroller
William J. Ross, Vice-President
Lorne A. Rowell, Vice-President
J. I. Leonard Storey, Vice-President
Douglas G. Myers, Secretary

*John Player & Sons Ltd.
Montreal, Canada*

*Peter Jackson Tobacco Limited
Montreal, Canada*

*General Cigar Company Limited
Montreal, Canada*
L. Emond Ricard, President
E. Peter Gage, Vice-President
G. William R. Goring, Vice-President
D. Edward Kearney, Vice-President
André Laporte, Vice-President

*Imperial Leaf Tobacco Company
of Canada Limited
Montreal, Canada*
L. Edmond Ricard, President
E. Peter Gage, Vice-President
D. Edward Kearney, Vice-President

Imasco Food Division

*Imasco Foods Limited
Montreal, Canada*
Clifford Warren, President
Gordon W. Fuller, Vice-President
Colin McKay, Vice-President
George J. Torggler, Vice-President,
Treasurer and Comptroller
*Pasquale Bros. Limited
Toronto, Canada*
Edward C. Pasquale, Jr., President
Nito Pasquale, Vice-President
Mrs. Georgina Madott, Secretary/Treasurer

*Grissol Foods Limited
Montreal, Canada*

Yves Hudon, President
and General Manager
Roderick C. Foster, Vice-President,
Secretary/Treasurer
Romuald Frenette, Vice-President

*Viau Limited
Montreal, Canada*

*Taillefer & Fils Inc.
Montreal, Canada*

*Imasco Foods Corporation
New York, New York, U.S.A.*
Clifford Warren, President
Gordon W. Fuller, Vice-President
Nicholas R. Marona, Vice-President
Ian W. Murray, Vice-President
George J. Torggler, Vice-President,
Secretary and Comptroller
Matthews Glezos, Treasurer

*Progresso Foods Corp.
Jersey City, New Jersey, U.S.A.*
Nicholas R. Marona, President
Edward Laraja, Vice-President
Robert W. Novak, Vice-President
F. John Simpson, Vice-President
Gasper Taormina, Vice-President,
Secretary/Treasurer and Comptroller
George J. Torggler, Vice-President

S and W Fine Foods, Inc.
San Francisco, California, U.S.A.
Ian W. Murray, President
Charles R. Angin, Vice-President
Marcel Casenave, Vice-President
Norman L. Correia, Vice-President,
Secretary and Comptroller
Robert M. Hrubesch, Vice-President
Irving J. Manning, Vice-President

Imasco Associated Products Division
Imasco Associated Products Limited
Toronto, Canada
John J. Ruffo, President
John F. Mathers, C.A., Vice-President
and Treasurer
Bruce S. McCubbin, Vice-President
John F. Taormina, Vice-President
Peter A. Thomson, Vice-President
and Secretary

United Cigar Stores Limited
Toronto, Canada
Hubert B. Wells, President
J. Raymond Denis, Vice-President
Alan Frome, Vice-President
Michael C. Grannum, C.A., Vice-President
and Treasurer
Gordon H. Kelly, Vice-President
Robert L. Lott, Vice-President
Vernon W. McWatters, Vice-President
Kenneth L. Murphy, Vice-President
and Secretary
Garfield G. Sherwood, Vice-President
Frederick C. Van Parys, Vice-President

UCS Retail Consultants Limited
Toronto, Canada
Borden D. Joynt, President

Collegiate Sports (Wholesale) Company
Limited
Toronto, Canada
Bruce S. McCubbin, Chairman of the Board
John R. Lennox, President
Hubert B. Wells, Vice-President
Michael C. Grannum, C.A.,
Secretary/Treasurer

Amco Services Ltd.
Vancouver, Canada
Donald R. Hoffman, President

Editel Productions Ltd.
Montreal, Canada
G. Ross Jebson, President
Joseph T. Coates, Vice-President
and Secretary/Treasurer

Imasco Associated Products, Inc.
North Plainfield, New Jersey, U.S.A.
John F. Taormina, President
Luis Perez Vega, C.P.A., Vice-President
Bruce D. Williams, Vice-President

The year has been a record one for sales and earnings. The tobacco division led the increase, and impressive gains were also made by the Associated Products Division and the Imasco Food Division.

Sales for the year were \$625,613,000, an increase of 10 per cent over 1971. Net earnings were \$22,162,000, equal to \$2.26 a share, compared with \$1.79 in 1971 before extraordinary items.

Dividends for the year, including an extra of 20 cents declared December 19, 1972, totalled \$1.10. This is 10 cents more than in 1971, the previous record year for dividends.

The Company expanded its field of operations during the year in food, retailing and automatic vending.

Grissol Foods was acquired in May.

The Associated Products Division entered sporting goods retailing and expanded its automatic vending operations in Canada and tobacco retailing in the US.

The company's wine interests were sold in February 1973. The proceeds of this sale will be used in areas where we see better opportunities for growth.

All indications point to continuing improvement in sales and earnings in 1973.

Foreign Investment Review Act

At the beginning of 1973, the federal government introduced Bill C-132, the Foreign Investment Review Act. This act is a response to the growing feeling of unease in Canada that the resources and the industrial and commercial bases of the country are in the hands of foreigners and constitute a danger to the future autonomy of Canada.

If this bill ever becomes law, it will signal the end of an economic policy introduced some 100 years ago. For a century it has been the policy of Canada to invite foreign

investment to develop our resources, to provide the capital that Canada, with its relatively small population and vast territory, could not provide for itself.

Our desire to be our own economic masters is both justifiable and admirable. The danger lies in trying to find political solutions to practical problems. The conditions which led to the adoption of the old policy of welcoming investment still obtain. Canada simply does not have the capital to undertake the vast projects it plans for the future, nor will we have the capacity to generate it from our own economy in the foreseeable future. Such projects as the Churchill Falls power development and the proposed James Bay power project cannot be financed solely with Canadian capital. The latter project will require investment in the order of \$10 billion and by this measure alone will be the single biggest industrial undertaking in the history of the world.

The chief purpose of the proposed Act is to prevent the purchase of Canadian companies by foreign-owned companies where such takeovers might be perceived by the federal government as having a retrogressive effect on the Canadian economy. In framing this proposed legislation, the government no doubt had before them the flagrant examples of companies which are no more than branch plants of their foreign owners; companies which do no original research or development in Canada, which are managed by expatriates and which are Canadian in name and registration only. But the proposed Act defines all foreign companies in terms of where their shares are owned. Any public company with 25 per cent of its shares owned outside Canada will be classed as a foreign company. No other characteristic is considered in the definition.

What is a Canadian company?

A Canadian company is not necessarily only one that is wholly owned in Canada. We think a Canadian company is one that uses Canadian resources economical-

ly and sensibly; that develops Canadian skills and employs them creatively and productively; that sends Canadians abroad to compete in world markets to the benefit of both Canada and the host country.

A Canadian company is one that participates in the forming of legislation beneficial to Canada, and responsibly conducts its affairs in the interests of Canada, of Canadians, and of its shareholders. It is, most importantly, a company that is run by Canadians.

By these standards and by any other meaningful terms except percentage of share ownership, Imasco Limited ranks at the top among Canadian companies. And yet, by definition of the Act we would be classed as a foreign company.

Imasco Limited was incorporated over 60 years ago as Imperial Tobacco Company of Canada Limited with the participation of the British-American Tobacco Company. Its first president, Sir Mortimer B. Davis, was Canadian, and it is 30 years since any representative of the principal shareholder served on the board. The Company has complete freedom to invest its funds and conduct its affairs as it sees fit.

All of the Company's tobacco research is done in Canada in a multi-million dollar research and development centre. Specialized machinery for the tobacco industry has been developed here, patented in Canada, and used by the leaders in the industry throughout the free world, with royalties flowing back to Canada.

The Company has also developed machinery and processes for the food industry and has put them into operation in its food companies in the US.

Imperial Tobacco was chiefly responsible for establishing and nurturing the cultivation of flue-cured tobacco in Canada and thus eliminating the importation of this costly agricultural product. All cigarette tobacco leaf and virtually all cigarette packaging materials are products of



Canada. In addition, the Company exports leaf tobacco, has encouraged the tobacco growers to seek foreign markets for their leaf and, in cooperation with the Department of Trade and Commerce, has sent representatives around the world to promote the sale of Canadian tobacco.

Finished goods such as Old Port cigars are also exported. This popular brand is now on sale in some 30 countries.

If Canada is to mature and become an economic force in the world, Canadian companies must invest abroad and meet competition in the larger markets of the world. Imasco has diversified its activities

in recent years and now owns two food companies and other interests in the USA. Canadians from Imasco have moved to these companies to help our American associates turn them into increasingly profitable operations.

In our 60-year history, Imasco Limited has been a major user of Canadian raw materials, a major employer of Canadians, a major taxpayer, an innovator in our industry, and a good corporate citizen.

The government may decide to define us as "foreign". But Imasco Limited will always be a Canadian company, run by Canadians in Canada's best interests.

Personnel

Through our acquisitions, several hundred new employees joined the Imasco Limited group of companies in 1972. I should like to extend to them a warm welcome and, to all our employees, sincere thanks for their contributions to the success of the Company.

On behalf of the board of directors

Paul Paré, President
Montreal, February 26, 1973

Sales at \$430,372,000 were up three per cent and earnings at \$40,360,000 were up 13 per cent over 1971.

Cigarettes

The increase in sales of tobacco products in 1972 was slightly higher than the rate of population growth. Imperial Tobacco's cigarette sales increased by approximately two per cent, led by such major trade marks as Player's, du Maurier and Cameo.

In November 1972, the price of cigarettes to wholesalers was raised, resulting in an increase at the retail level of two cents a package.

John Player Special was test-marketed in the middle of the year in Montreal and Quebec City. This new brand was so favourably received that distribution was extended across Canada in October.

Cigars and Tobaccos

Cigar and tobacco sales in Canada were down slightly in 1972, but Imperial's share of these market segments continued to increase.

Increases in both sales and share of market were recorded by Old Port cigars, particularly Colts. Old Port cigarillos are now popular in some 30 countries and went on sale in France in January 1973.

Sales of Borkum Riff pipe tobacco continue to grow and two new flavours, Cherry Liqueur and Cognac, were added in 1972. A new pipe tobacco, Taconis, is being test-marketed in Alberta in regular and aromatic flavours.

Promotional Activities

The Company's main promotional programmes associated with major brands are the Peter Jackson Canadian Open golf tournament, the Player's Canadian Driving Championship Formula B events, the du Maurier Council for the Performing Arts, and the White Owl Conservation Awards.

Leaf Tobacco

Frost hit the tobacco farms in Ontario in the early summer of 1972, reducing the crop from a planned 200,000,000 pounds to some 165,000,000 pounds.

This shortage has affected the company in two ways. It has increased the cost of leaf, and the company has had to reduce its inventories in order to provide as much leaf as possible for the overseas market which the tobacco industry and the growers have worked so hard to develop over the years.

Two important developments in the growing and marketing of leaf tobacco in 1972 were the offer by domestic manufacturers of a guaranteed minimum average price for the Canadian tobacco crop, and the establishment of an incentive fund to encourage export of Canadian leaf.

Labour Relations

In November 1972, a new two-year labour agreement retroactive to July was signed with the Tobacco Workers International Union. This agreement covers all tobacco plants in Ontario and Quebec. The higher wages and improved benefits will substantially increase our operating costs.

Manufacturing

Phase out of our plant in Granby, Quebec, was completed in 1972 and production of cut and plug tobaccos was moved to the Montreal plant. In Ontario, leaf processing was concentrated in the Aylmer plant and the Delhi plant was sold.

In both instances, care was taken to minimize any hardship to the employees. Lower operating costs will result from these consolidations.

Development

Tobacco processing machinery designed by Imperial Tobacco is now used in the

1969	1970	1971	1972
380,924	435,249	418,049	430,372

Sales (thousands of \$)

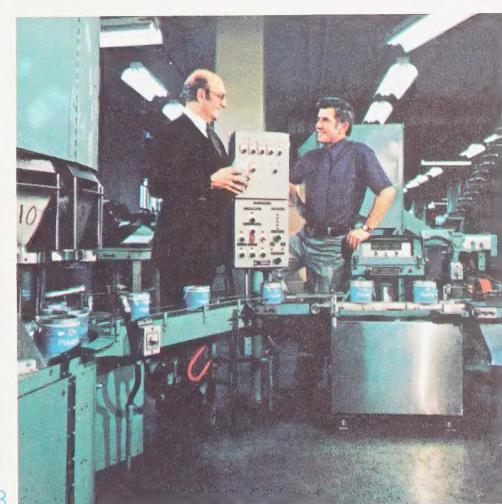
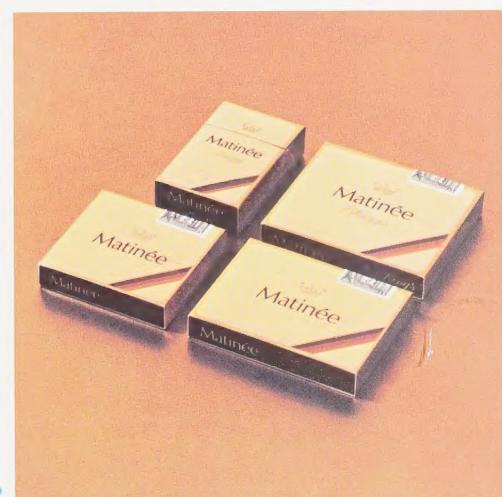
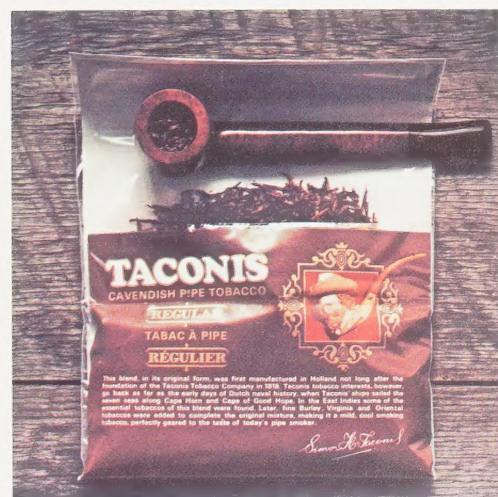
1969	1970	1971	1972
26,209	32,720	35,865	40,360

Earnings from operations (thousands of \$)

industry in many countries. In late 1971, I.T. Machinery Division was formed to manufacture and sell these machines. Such sales help to offset development costs, employ Canadian fabricators and increase Canadian exports.

Outlook

The progress of new cigarette brands and the rising sales of established brands indicate a good year for 1973.



1 Taconis, a new Cavendish pipe tobacco from Holland, in regular and full aromatic blends.

2 Matinée, with new packaging and a new taste, is now being tested in selected markets.

3 Roger Lafleur, senior project superintendent, and Lorne Rowell, vice-president, Imperial Tobacco Products, discuss the operation of the automatic fine cut weighing and packaging machine designed in the company's engineering development department and marketed by I.T. Machinery Division of Imasco Limited.

4 John Player Special, in its unique black and gold packaging, was successfully launched across Canada in 1972.

Sales at \$135,772,000 were up 21 per cent and earnings at \$4,725,000 were up 65 per cent over 1971. A substantial part of this increase in earnings is due to the inclusion of Grissol Foods from May 1st.

Despite a difficult year for food generally, all companies in the division showed increased sales and earnings in 1972.

Food crop failures were world-wide, resulting in shortages and higher prices to processors. A thorough study has been made of all available food sources in order to anticipate these shortages and secure a dependable supply of quality produce.

Steadily increasing volume of production at the Vineland plant in New Jersey is contributing to the division's earnings.

Concentration on marketing programmes and the development of new products are increasing sales at Progresso and S and W. The acquisition of Grissol Foods Limited, Montreal, is a major addition to the group and provides opportunities for expansion in Canada.

Grissol Foods Limited

Grissol Foods, which was acquired in May, produces bread specialties, biscuits, candies, meat products, soups and snack foods through its own facilities and those of its subsidiaries, Viau Limited and Taillefer & Fils Inc. Annual sales are over \$20,000,000. Acquisition of this company gives the food division a solid base in Quebec and the opportunity to expand food operations in Canada through cooperation and exchange of services with Pasquale Bros. Limited.

Progresso Foods Corp.

Progresso was seriously affected by the general crop shortages and at some cost had to search further afield for the products, such as tomatoes and peppers, that are so important to Italian foods. In spite of the shortages, production through the

Vineland plant increased and should further increase in 1973.

Several new products have been introduced, including two spaghetti sauces and a flavoured vegetable oil. Others are scheduled for introduction in 1973, and new labels for the entire Progresso line will make the products more attractive to the shopper and more easily identifiable as authentically Italian.

Tic Tac, the mint candy, is handled in the US by Progresso and has proved so popular that it is now in national distribution, a year ahead of schedule.

S and W Fine Foods Inc.

S and W, which made its name by producing foods of unmatched quality, has developed a new label to increase consumer awareness of this quality. Response to the new design has been enthusiastic and products will be relabelled as new crops are packed.

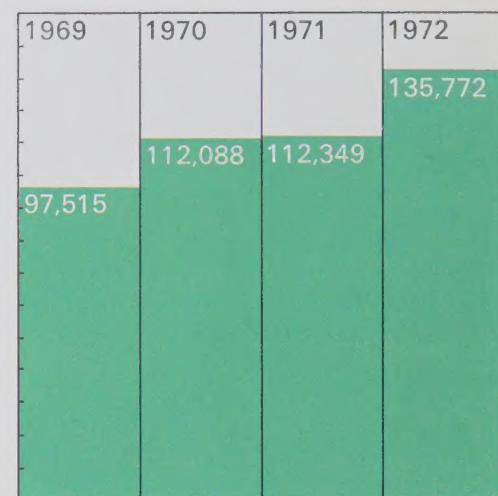
A line of convenience Mexican foods under the brand name Rancho Francisco has been market tested and results are above expectations. Rancho Francisco products should be on the west coast market in the first half of 1973.

Pasquale Bros. Limited

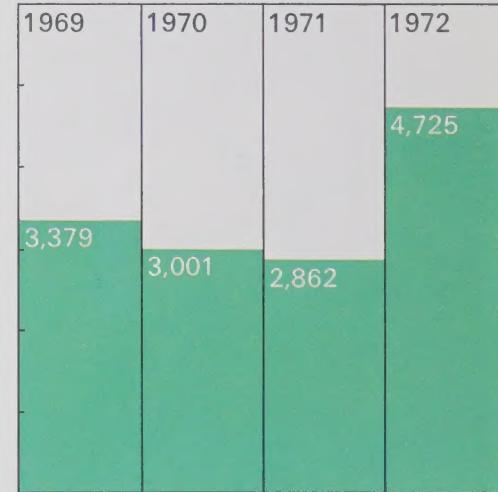
Pasquale Bros.' sales and earnings continue to grow at a rate higher than that of the Canadian food industry as a whole. Although the main area of activity is in Ontario, the Unico label is now being extended to Canada's major chain stores.

Outlook

We look forward confidently to increasing sales and a profitable year in 1973. All companies in the division are buoyant and the economies of both the US and Canada should remain strong in the coming year.



Sales (thousands of \$)



Earnings from operations (thousands of \$)



Nicholas Marona, president, Progresso Foods, and Edward Granser, director of marketing, try Lobster Fra Diavolo and Sliced Steak Italiano prepared with Progresso's popular new hot and mild sauces.

Edward Pasquale, president, Pasquale Bros., and Yves Hudon, president, Grissol Foods, compare products and discuss cooperative marketing plans.

Peter Mattson, manager, Rancho Francisco division, shows new, Mexican food products to Ian Murray, president, S and W Fine Foods.

4 Where to find the best? New S and W labels tell consumers they need look no further.



During 1972, operations of the division were extended through both internal growth and acquisitions. Sales and earnings of existing operations increased and acquisitions were made in the areas of sporting goods retailing, automatic vending, and tobacco retailing. Sales at \$73,956,000 were up 46 per cent and earnings at \$3,036,000 were up 59 per cent over 1971.

Retailing

United Cigar Stores Limited, "Canada's leading tobacconists", expanded its operations and acquired Picadilly Place Enterprises, Vancouver. This company operates tobacco shops situated in key hotels and commercial building complexes. Marché aux Escomptes S. & M. Ltée, a health and beauty aid retail chain, joined the division's Quebec operations in May.

The acquisition of Collegiate Sports (Wholesale) Company Limited marks a new direction in retailing activities. Collegiate operates two large sporting goods outlets in Toronto.

Imasco Associated Products, Inc. was formed to extend tobacco retailing operations into the United States. The company has opened and acquired stores and the potential for expansion is being studied.

Automatic Vending

The vending division, through expansion and acquisitions, is now Canada's leading vending machine operator with over 3,600 units. Eze Brew Coffee Services Ltd. of Vancouver and Laniel Automat and Burns Catering in Montreal were among the new companies to join the division in 1972.

Wines

On February 1, 1973, the Company sold all its wine interests. These consisted of Growers' Wine Company Limited, Victoria, British Columbia, a controlling

interest in Chalet Wines Limited, Calgary, Alberta, and P. G. Thornley Company of Canada Limited, Toronto, Ontario, a wine importing business.

Although these interests were successfully and profitably managed by the Imasco Associated Products Division, their sale is part of long-range diversification plans for this division.

Television Services and Manufacturing

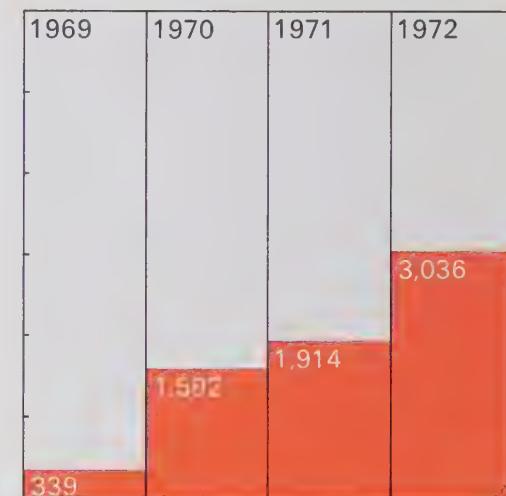
The Mark III hand-held colour television camera developed and manufactured by Editel Productions Ltd. has been a commercial success. It is recognized by the broadcast industry as the best of its kind in the world. Editel has opened facilities in Detroit and Chicago to service expanding US operations.

Outlook

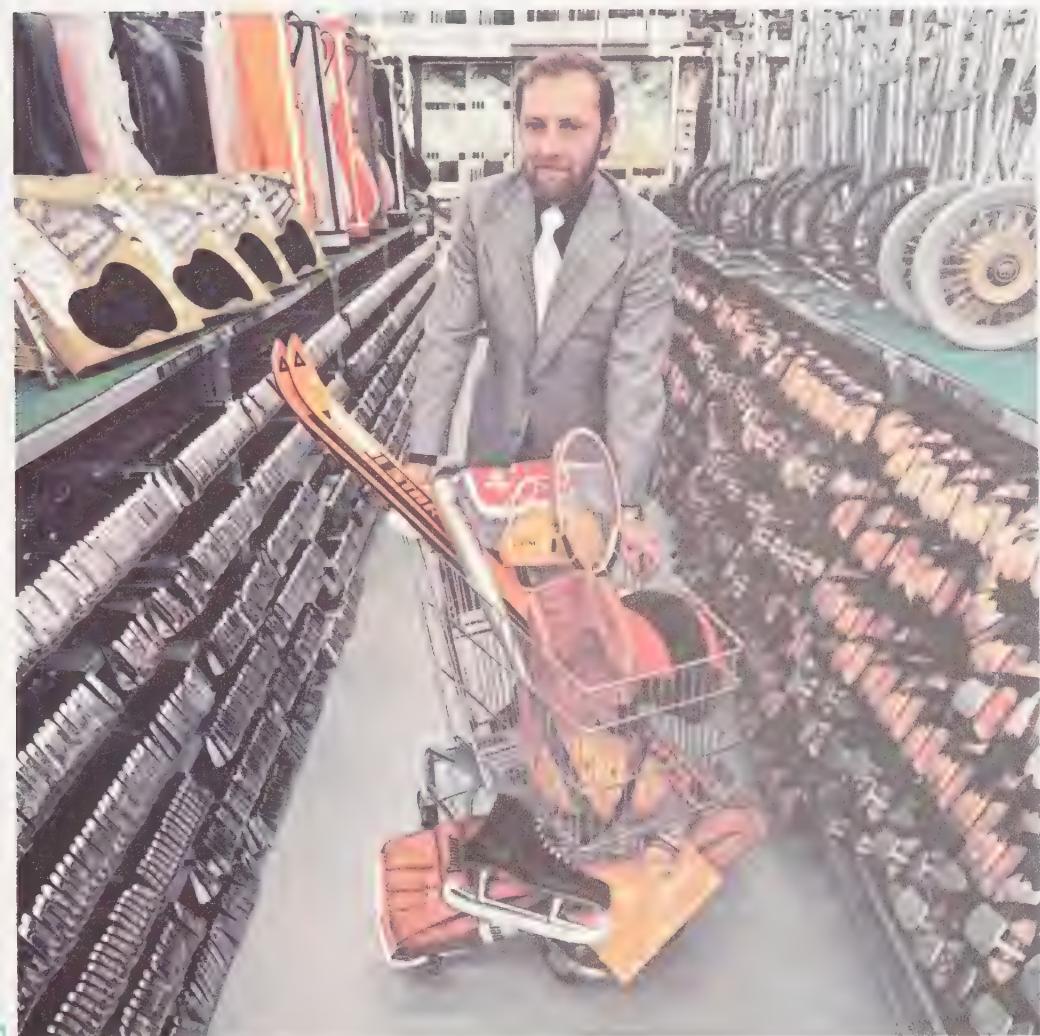
The strong growth pattern established by the division in recent years should continue in the future. Sales and earnings should increase accordingly.



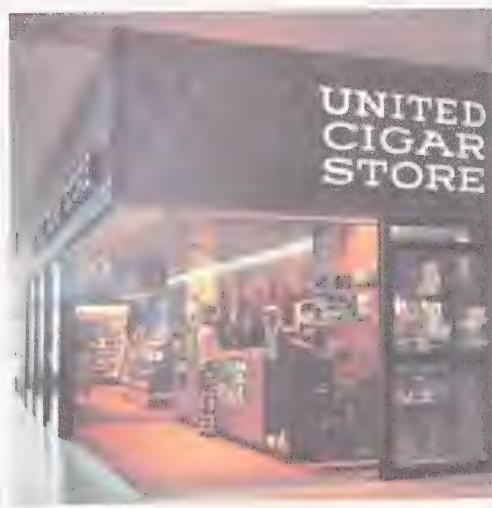
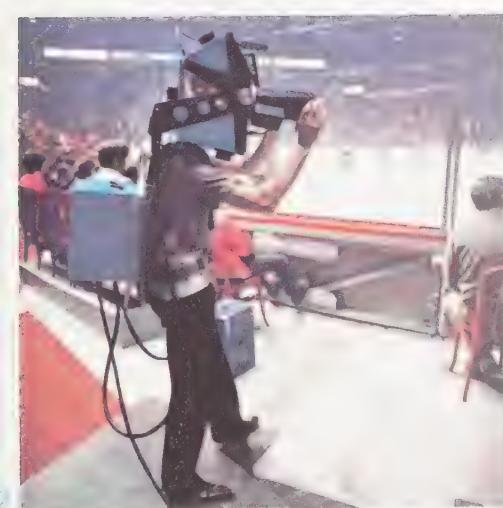
Sales (thousands of \$)



Earnings from operations (thousands of \$)



1 John Lennox, president, shows that one-stop shopping for all sports equipment is possible at Collegiate Sports



2 Editel's hand-held colour television camera brings close-up action of National League hockey to Canadian and American network viewers.

3 Tasteful design and convenience typify the new United Cigar Stores. Yorkdale Shopping Centre, Toronto.

**Imasco Limited
and Subsidiary Companies
Year ended December 31, 1972**

Consolidated Statement of Earnings

	1972	1971
	Thousands of dollars	
Sales (Note 2)	625,613	569,629
Sales and excise taxes	246,082	242,356
	379,531	327,273
Operating costs	335,020	289,832
Earnings from operations (Note 2)	44,511	37,441
Income from investments	62	582
Interest expense	(3,812)	(3,847)
Earnings before income taxes	40,761	34,176
Income taxes	18,536	16,349
	22,225	17,827
Minority interest	63	166
Net earnings before extraordinary items	22,162	17,661
Extraordinary items (Note 3)	—	(122)
Net earnings after extraordinary items	22,162	17,539
Earnings per common share		
Before extraordinary items	\$2.26	\$1.79
After extraordinary items	\$2.26	\$1.78

Consolidated Statement of Retained Earnings

Retained earnings, beginning of year	75,173	70,648
Net earnings after extraordinary items	22,162	17,539
Goodwill on consolidation of subsidiaries (Note 1)	(11,520)	(2,995)
Dividends (Note 8)	(10,986)	(10,019)
Retained earnings, end of year	74,829	75,173

The attached notes form an integral part of these statements.

**Imasco Limited
and Subsidiary Companies
December 31, 1972**

Consolidated Balance Sheet

		1972	1971
		Thousands of dollars	
Current assets	Cash and term deposits	3,346	861
	Accounts and notes receivable	52,943	47,019
	Inventories (Note 4)	128,479	124,883
	Prepaid expenses	1,690	1,467
	Total current assets	186,458	174,230
Current liabilities	Bank indebtedness	37,958	21,276
	Accounts payable and accrued liabilities	26,982	19,595
	Income, excise and other taxes	19,761	24,950
	Current portion of long term debt (Note 7)	2,558	2,099
	Dividends payable	1,934	967
	Total current liabilities	89,193	68,887
Working capital (net current assets)		97,265	105,343
Other assets	Notes receivable and other investments	9,237	11,657
	Deferred charges	6,084	1,254
	Fixed assets (Note 6)	61,748	56,087
	Goodwill, trademarks and patents	1	1
	Excess of assets over current liabilities	174,335	174,342
Other liabilities	Long term debt (Note 7)	36,667	37,349
	Deferred income taxes	6,381	5,231
	Minority interest	75	206
		43,123	42,786
	Excess of assets over liabilities	131,212	131,556
Shareholders' equity	Capital stock (Note 9)	54,153	54,153
	Capital surplus (Note 5)	2,230	2,230
	Retained earnings	74,829	75,173
		131,212	131,556

Approved by the Board,
Paul Paré, Director
G. G. Ross, Director

The attached notes form an integral part of these statements.

**Imasco Limited
and Subsidiary Companies
Year ended December 31, 1972**

Consolidated Statement of Source and Application of Funds

		1972	1971
		Thousands of dollars	
Source of funds	Net earnings before extraordinary items	22,162	17,661
	Depreciation	5,337	4,431
	Deferred income taxes	1,785	(296)
	Other non-cash items	128	667
	Funds provided from operations	29,412	22,463
	Sale of fixed assets	3,334	325
	Proceeds from issue of debentures	—	34,284
	Notes receivable and other investments	2,420	3,316
		35,166	60,388
Application of funds	Purchase of subsidiaries	20,764	5,087
	Dividends	10,986	10,019
	Past service pension liability (Note 5)	4,310	—
	Fixed assets	4,878	6,642
	Long term debt	2,080	32,127
	Other	226	257
		43,244	54,132
Working capital	Increase (decrease) in working capital	(8,078)	6,256
	Beginning of year	105,343	99,087
	End of year	97,265	105,343

The attached notes form an integral part of these statements.

Notes to the Consolidated Financial Statements

1972 1971

Thousands of dollars

1. Principles of consolidation and related information	The consolidated financial statements include the accounts of all subsidiaries. Included are Grissol Foods Limited from its effective date of acquisition, May 1, 1972 and certain retailing and automatic vending businesses acquired by the Imasco Associated Products Division during 1972.	
	United States dollar amounts have been translated to Canadian dollars at the following exchange rates: net fixed assets and depreciation at rates in effect at the appropriate acquisition dates; all other assets and liabilities at rates in effect at December 31st; all earnings accounts, other than depreciation, at average exchange rates for the year.	
		It is the Company's practice to charge directly to retained earnings the excess of the purchase price of the subsidiaries over the value of their net assets at dates of acquisition. In 1972, this excess was reduced by \$586 as a result of income tax savings permitted by United States tax laws.
2. Operations by type of business		
	Sales	
	Imperial Tobacco Products Division	430,372
	Imasco Food Division	135,772
	Imasco Associated Products Division	
	Retail and other services	66,780
	Wine	7,176
	Interdivisional transactions	(14,487)
		625,613
		418,049
		112,349
	Earnings from operations	
	Imperial Tobacco Products Division	40,360
	Imasco Food Division	4,725
	Imasco Associated Products Division	
	Retail and other services	2,015
	Wine	1,021
		48,121
		35,865
	General administration	(2,930)
	Non-recurring items	(680)
		44,511
		2,862
		(2,325)
		(875)
		40,641
		37,441
	Non-recurring items are made up of:	
	Imperial Tobacco Products Division	
	Plant closing expenses	(1,805)
	Gain on sale of real estate	760
	Imasco Associated Products Division	
	Gain on sale of real estate	365
	Imasco Food Division	
	Start-up costs	—
		(875)
		(680)
		(875)
3. Extraordinary items		
	Foreign exchange gain realized on repayment of U.S. bank loans	—
	Unrealized foreign exchange loss on consolidation of U.S. subsidiaries	—
	Cost of debenture issue	—
		2,294
		(1,700)
		(716)
		(122)

Notes to the Consolidated Financial Statements	1972	1971
	Thousands of dollars	
4. Inventories		
Inventories by division, valued principally at average cost which does not exceed realizable value, are:		
Imperial Tobacco Products Division	79,360	89,453
Imasco Food Division	35,626	27,928
Imasco Associated Products Division		
Retail and other services	9,048	4,037
Wine	4,445	3,465
	128,479	124,883
5. Statutory information		
The following items have been charged (credited) in determining net earnings:		
Depreciation	5,337	4,431
Interest on long term debt	3,065	2,973
Deferred income taxes	1,785	(296)
Remuneration of directors and senior officers		
Directors, all of whom are officers		
Number at December 31st: 1972, 8; 1971, 9		
Number during the year: 1972, 10; 1971, 10		
Officers		
Number at December 31st: 1972, 17; 1971, 17		
Number during the year: 1972, 19; 1971, 18		
Aggregate remuneration as officers	1,555	1,249
Pension plans		
The unfunded liability for past service pension costs at December 29, 1972 amounting to \$4,310 was paid into the pension fund on that date and is included in deferred charges. In addition, certain changes in pension benefits which will become effective March 1, 1973 will create an additional past service liability of approximately \$14,500. These amounts will be charged to earnings over a period not to exceed nineteen years.		
Long term leases		
The Company has outstanding commitments with respect to long term real estate leases with expiry dates extending to 1996.		
Rental expenses for the year amounted to \$3,239 (1971 \$2,591) and the minimum annual rental under such leases amounts to approximately \$2,617 before giving effect to escalation and percentage of sales clauses in certain of the leases.		
Other commitments		
The Company is negotiating for the purchase of certain businesses. The expected cost of these acquisitions amounts to approximately \$2,800.		
Capital surplus		
Capital surplus consists of amounts transferred from retained earnings as required by the Canada Corporations Act in respect of 6% cumulative preference shares purchased and cancelled.		

Notes to the Consolidated Financial Statements

		1972	1971
		Thousands of dollars	
6. Fixed assets and depreciation	Land	5,189	5,242
	Buildings	41,309	38,769
	Equipment	70,315	60,552
		116,813	104,563
	Accumulated depreciation	55,065	48,476
	Net fixed assets	61,748	56,087
	Fixed assets are stated at cost. Depreciation has been calculated on the straight line basis over the estimated useful lives of the assets.		
7. Long term debt	8½% Sinking Fund Debentures Series A due March 15, 1991	33,950	35,000
	Less held in treasury	700	700
		33,250	34,300
	U.S. dollar loan, payable in three annual instalments commencing March 31, 1973 bearing interest at New York prime bank rate less 1%		
	Other long term obligations	2,881	3,955
		3,094	1,193
		39,225	39,448
	Less current portion	2,558	2,099
		36,667	37,349
	Required payments during the next five years including \$1,050 annual sinking fund payments on the 8½% sinking fund debentures amount to : 1973 \$2,558 ; 1974 \$2,437 ; 1975 \$2,368 ; 1976 \$1,304 ; 1977 \$1,276.		
8. Dividends	On 6% cumulative preference shares	348	348
	On common shares	10,638	9,671
		10,986	10,019
9. Capital stock	6% cumulative preference shares, par value \$4.86½ each		
	Authorized and issued	1,650,000 shares	
	Less purchased and cancelled	458,112 shares	
	Outstanding	1,191,888 shares	5,800
	Redeemable sinking fund preference shares, par value \$25 each		
	Authorized	200,000 shares	
	Issued	Nil	
	Common shares, no par value		
	Authorized	10,800,000 shares	
	Issued	9,670,532 shares	48,353
		54,153	48,353
		54,153	54,153
10. Subsequent events	The Company has agreed to sell its wine business for a price of \$10,500 which approximates its investment therein.		

Auditors' Report

To the Shareholders of Imasco Limited

We have examined the consolidated balance sheet of Imasco Limited and subsidiary companies as at December 31, 1972 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte, Haskins & Sells

Chartered Accountants
930 Sun Life Building
Montreal 110, Canada

February 23, 1973

Transfer Agents	Crown Trust Company, Montreal The Royal Trust Company, Halifax, Toronto, Calgary, Vancouver
Registrars	Montreal Trust Company, Halifax National Trust Company, Limited, Montreal, Toronto, Vancouver The Royal Trust Company, Calgary
Stock Exchange Listings	Montreal, Toronto, Vancouver and London, England
Bankers	The Royal Bank of Canada Canadian Imperial Bank of Commerce The Bank of Nova Scotia National Canadian Bank

Statistical Highlights — Ten Year Review*

1972

1971

Sales and earnings	Sales	625,613	569,629
	Depreciation	5,337	4,431
	Earnings before income taxes	40,761	34,176
	Income taxes	18,536	16,349
	Net earnings before extraordinary items	22,162	17,661
	Net earnings after extraordinary items	22,162	17,539
	Earned on common shares before extraordinary items	21,814	17,313
	Per common share (in dollars)	2.26	1.79
Dividend record	On preference shares	348	348
	On common shares	10,638	9,671
	Per common share (in dollars)	1.10	1.00
Capital expenditures	On fixed assets	4,878	6,642
Financial position	Current assets	186,458	174,230
	Current liabilities	89,193	68,887
	Working capital	97,265	105,343
	Investment in non-consolidated subsidiaries including loans and advances	—	—
	Fixed assets (before depreciation)	116,813	104,563
	Fixed assets (less depreciation)	61,748	56,087
	Long term debt	36,667	37,349
	Excess of assets over liabilities	131,212	131,556
Shareholders' equity	Preference shareholders	5,800	5,800
	Common shareholders	125,412	125,756
	Per common share (in dollars)	12.97	13.00

* 1963/68 revised in accordance with 1969 presentation.

**1966 and 1968 revised to include subsidiaries not
consolidated in those years.

1970	1969	1968**	1967	1966**	1965	1964	1963
(Thousands of dollars, except 'per common share' statistics)							
582,163	512,987	421,265	393,315	373,069	366,262	351,456	355,065
4,132	4,371	4,075	4,135	3,835	3,486	3,372	3,327
31,110	26,016	24,730	25,237	24,637	26,778	23,807	23,416
15,154	12,540	12,207	11,656	11,624	12,832	11,228	10,391
15,691	13,383	12,465	13,581	13,013	13,946	12,579	13,025
15,691	12,226	12,646	13,581	13,013	13,946	12,579	13,025
15,343	13,035	12,112	13,215	12,619	13,533	12,156	12,577
1.59	1.35	1.25	1.37	1.30	1.40	1.26	1.30
348	348	353	366	394	413	423	448
7,736	7,736	7,736	7,736	8,461	7,253	7,011	7,252
.80	.80	.80	.80	.87½	.75	.72½	.75
12,104	4,033	4,404	5,187	8,451	3,491	2,740	5,197
173,779	167,818	125,562	124,295	115,964	120,765	124,015	121,674
74,692	72,168	36,465	32,507	27,786	31,300	28,815	26,911
99,087	95,650	89,097	91,788	88,178	89,465	95,200	94,763
—	—	17,855	14,821	13,425	13,077	—	—
98,031	89,360	81,257	78,044	75,215	67,076	64,928	64,725
53,508	47,056	40,221	38,845	38,198	33,195	33,808	34,769
34,476	36,956	2,261	2,261	2,261	2,262	7,035	8,582
127,031	119,221	139,746	137,929	133,366	129,643	123,966	119,142
5,800	5,800	5,830	5,973	6,518	6,766	6,973	7,215
121,231	113,421	133,916	131,956	126,848	122,877	116,993	111,927
12.54	11.73	13.85	13.65	13.12	12.71	12.10	11.57

